



# NOTICE TO STATE WATER PROJECT CONTRACTORS

NUMBER: 02-03

DATE: JAN 29 2002

SUBJECT: Procedures for 2002 Variable  
OMP&R Unit Charges

FROM:   
DIRECTOR, DEPARTMENT OF WATER RESOURCES

This notice is to inform the State Water Contractors of the process and procedures the Department will be using in determining the unit rate for invoicing the 2002 variable charges.

The variable charges in the 2002 Statements of Charges were prepared using 40.51 mills/kWh as the average SWP power cost for 2002. In an effort to reflect the changing power market, changes in hydrology, and avoid significant over or under collection under the variable cost component, the Department will be developing an Invoicing Rate and administratively applying this rate to water delivered in 2002.

The Invoicing Rate will be developed by updating water and power assumptions with most current information. Special attention will be given to factors that could significantly impact the invoicing rate. These factors are: a) water contractor deliveries, b) hydrology, c) power market conditions for purchases, sales, and ancillary services, and d) contingencies, including power contract disputes and delinquencies. The Invoicing Rate will be monitored and adjusted as needed during the year by updating Table 2, Net Pumping Power Costs, with actual and projected power revenues and expenditures. If the need to change the Invoicing Rates arises, the Department will notify and confirm with contractors of such change in a timely manner before invoicing. Information documenting changes in the Invoicing Rate will also be made available for your information. The Department does not intend to change the Invoicing Rate on a monthly basis or for small fluctuations. Instead, the invoice rate will only be changed when significant variance occurs.

The initial Invoicing Rate will be computed by mid-February 2002, so that it can be applied to SWP deliveries starting with January. Table 2 will be updated with data for actual and projected information for the remainder of the year.

Whatever the Invoicing Rate is determined to be, the Department would like to remind the contractors that they are still responsible (if need be) for the full variable rate of 40.51 mills/kWh, as established in the Statement of Charges for 2002 for all the water delivered in 2002. The Invoicing Rate may fluctuate through the year and is only an administrative tool the Department will be using to avoid large over and under collections and subsequent adjustments to water contractors payments.

If you have any questions regarding this matter, please contact Dan Flory, Chief of the State Water Project Analysis Office, at (916) 653-4313.